Mobil
annual report 1970

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CORPORATION FILE

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Lewis A. Lapham, President and Director, Bankers Trust New York Corporation

George C. McGhee, Former Under Secretary of State for Political Affairs

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Herman J. Schmidt, Executive Vice President

Charles E. Solomon, Executive Vice President

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Richard F. Tucker, Executive Vice President

Rawleigh Warner, Jr., Chairman of the Board of Directors; Chairman of the Executive Committee

Albert L. Williams, Chairman of the Executive Committee and Director, International Business Machines Corporation

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Edward P. Fischer, Treasurer

George A. Birrell, General Counsel

Arthur M. Sherwood, Secretary

William S. Swayze, Controller

Directors and Officers as of February 1, 1971

TRANSFER AGENTS

The Chase Manhattan Bank, National Association
1 Chase Manhattan Plaza, New York, New York 10015

The Bank of California, National Association
400 California Street, San Francisco, California 94120

Continental Illinois National Bank and Trust Company of Chicago
231 South LaSalle Street, Chicago, Illinois 60690

Canada Permanent Trust Company
1901 Yonge Street, Toronto 7, Ontario, Canada

Canada Permanent Trust Company
315 Eighth Avenue West, Calgary, Alberta, Canada

REGISTRARS

Bankers Trust Company, New York, New York

LaSalle National Bank, Chicago, Illinois

Wells Fargo Bank, National Association
San Francisco, California

Montreal Trust Company, Toronto, Ontario, Canada

Montreal Trust Company, Calgary, Alberta, Canada

AUDITORS

Arthur Young & Company, New York, New York

ANNUAL MEETING

The 1971 Annual Meeting of Shareholders
will be held on Tuesday, May 18,
at 10:00 a.m. in the
Van Wezel Performing Arts Hall,
777 North Tamiami Trail, Sarasota, Florida

COVER PHOTO: Business is brisk at one of Mobil's new service stations in Japan, where our products have been sold since 1893. Today Japan is the world's fastest growing major market for petroleum products.

The front and back covers of this Report are protected with one of a family of catalyzed coatings developed by Mobil Chemical's packaging coatings engineers.

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Mobil Oil Corporation

annual report 1970

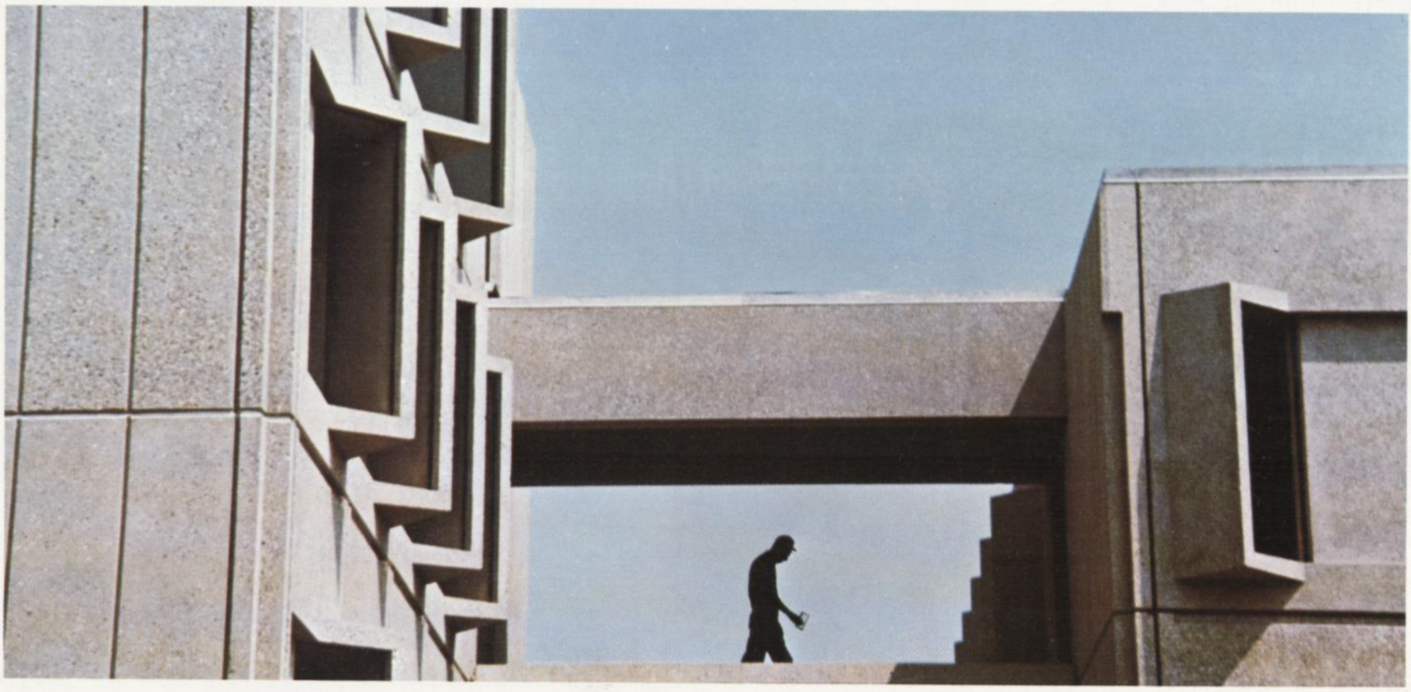
the year in brief

	1970	1969
Financial		
Revenues	$8,310,319,000	$7,572,658,000
Income before extraordinary item	$ 482,707,000	$ 456,498,000
Extraordinary item	—	(21,983,000)
Net income	$ 482,707,000	$ 434,515,000
Per share *(based on average shares outstanding)*		
Income before extraordinary item	$ 4.77	$ 4.50
Extraordinary item	—	(.22)
Net income	$ 4.77	$ 4.28
Cash dividends	$ 243,090,000	$ 228,197,000
Per share	$ 2.40	$ 2.25
Shareholders' equity *(end of year)*	$4,540,103,000	$4,309,070,000
Per share *(based on shares outstanding at end of year)*	$44.81	$42.45
Capital and exploration outlays	$ 879,475,000	$ 800,034,000
Total assets *(end of year)*	$7,921,049,000	$7,162,994,000
Operating* (barrels daily, except natural gas)		
Gross production of crude oil and natural gas liquids *(together with quantities received under long-term arrangements)*	2,083,000	1,960,000
Natural gas production *(thousands of cubic feet daily)*	3,379,000	3,063,000
Refinery runs of crude oil and natural gas liquids	2,004,000	1,907,000
Petroleum product sales	2,145,000	2,003,000

*Operating statistics include the corporation's interest in the operations of companies owned 50% or less.

An important part of the domestic and foreign operations covered by this report is carried on by operating divisions, subsidiaries, and affiliates conducting their respective businesses under the direction and control of their own managements. For convenience, this report uses such terms as "Mobil Oil," "Mobil," "corporation," "company," "we," and "our" sometimes for the parent corporation and all such divisions, subsidiaries, and affiliates collectively, and sometimes for one or more of them.

Mobil Oil Corporation, 150 East 42nd Street, New York, N.Y. 10017



ARCHITECTURAL DETAIL shows modern design of new engineering facilities at Mobil Technical Center near Princeton, N.J.

to our shareholders

In 1970, Mobil increased its earnings for the 12th consecutive year.

Earnings for the year were $482.7 million, or $4.77 a share, compared with 1969 earnings of $456.5 million, or $4.50 a share, before the extraordinary $22.0 million write-off in 1969 related to our withdrawal from the domestic retail fertilizer business.

Cash dividends paid in 1970 were $2.40 a share, compared with $2.25 a year earlier. An extra dividend of 5 cents a share was paid in the first quarter of 1970, and the quarterly dividend was increased 5 cents a share with the June payment.

This was the tenth consecutive year in which our cash dividends were increased. Further evidence of our decade of progress is provided by these three other indices:

☐ The rate of return on shareholders' average equity was 10.9% in 1970, compared with 7.1% in 1960.

☐ Total assets at year end were $7.9 billion, compared with $3.5 billion at year-end 1960.

☐ Revenues in 1970 were $8.3 billion, compared with $3.6 billion in 1960.

Several factors contributed to the earnings improvement in 1970 over 1969. One was a significant increase—primarily abroad—in the volumes of petroleum we produced, transported, refined, and marketed.

Another was a favorable position in tankers during a time of sharply rising marine charter rates.

A third was the strengthening of product prices in Europe and Japan.

These factors more than offset the negative effects of higher U.S. taxes, increased labor and material costs, and larger payments to governments of oil-producing countries overseas.

Reflecting the growth of our geographically diversified operations abroad, the proportion of net earnings from foreign activities rose from 44% in 1969 to 49% in 1970. The accompanying decline in income from U.S. operations was also experienced by the U.S. petroleum industry generally. This decline resulted from the higher U.S. income taxes enacted in 1969 and the failure of gasoline prices to increase in the face of rising costs of doing business.

Worldwide capital and exploration outlays reached the record level of $879 million in 1970, and the outlook is that they will continue at least at that level or even higher in 1971 and future years. In addition to construction of the new Joliet, Ill., refinery and a crude-oil export terminal in Nigeria, we are continuing to make large outlays for exploration in North America and overseas, for further expansion of our overseas refinery system, and for construction and rehabilitation of service stations in the United States and abroad. We continue to increase worldwide outlays for pollution prevention and control. Moreover, we face heavy expenditures for the refining and marketing facilities necessary to place a new low-lead or lead-free gasoline on the market.

We share the concern of all people for protecting the natural environment. We realize we must continue to demonstrate a capability to find, produce, and transport oil in a way that minimizes any environmental abuse. We are certain we can demonstrate such a capability; indeed, our overall record supports this.

Nevertheless, the U.S. oil industry finds itself increasingly impeded in its efforts to explore for and produce oil from the only truly promising areas remaining within our borders —from beneath the offshore waters and in Alaska. Unless this oil can be brought to market, the industry will increasingly be unable to supply the mounting U.S. demand from dwindling domestic crude reserves.

Theodore W. Nelson

James Q. Riordan

Herman J. Schmidt

Charles E. Solomon

Richard F. Tucker

In addition, the chronically inadequate wellhead natural gas prices imposed by federal regulation, together with the effect of higher income taxes on petroleum production, are stifling incentives for exploration at the very time when our industry should greatly increase its spending in the search for oil and gas in this country. In the meantime, the need for oil has been heightened by delays in placing nuclear electric power plants in operation, lagging coal production, and the worsening natural gas shortage.

These longer-term trends, as well as some recent developments, lead us to the inescapable conclusion that we are moving into an era of more expensive energy.

Mobil and a number of other oil companies reached a settlement with the governments of six Persian Gulf oil-producing countries that increased taxes and prices for crude oil exports from the Gulf. The five-year agreement, the intent of which is to establish security of supply and stability of financial arrangements, substantially increased the cost of that oil. Additional negotiations will determine payments for and costs of Saudi Arabian and Iraqi crudes reaching the Eastern Mediterranean by pipeline, and for Libyan oil. Increased payments to other oil-producing countries may be expected as well. The impact of these rising costs will inevitably be felt in the marketplace.

The petroleum industry, which in common with all industry finds its costs aggravated by inflation, bears a particularly heavy financial burden arising from its large and growing outlays for pollution control. Such investments can only add to the upward pressures on the cost of energy.

As our costs continue to rise, it appears inevitable that we will have to receive higher prices for our products. Only with adequate prices can we generate the capital required to enable us to meet the rising demand for our products.

While we do not underrate the magnitude and complexity of these problems, we should like to point out that Mobil and other international oil companies are accustomed to operating in a difficult business climate. Mobil has the resources and the people that enable us to take many formidable obstacles in our stride. On balance, 1970 was a banner year for the company. We are confident that the years ahead will bring further progress.

George P. Baker resigned as a director of Mobil following his appointment as a trustee in reorganization of the Penn Central Transportation Company. Mr. Baker, formerly dean of the Harvard Graduate School of Business Administration, was a valued member of our board during his six years as a director. We will miss his wise counsel.

Richard F. Tucker was elected to the board and to the Executive Committee, effective January 1, 1971. He had been serving as an executive vice president of the corporation and president of the North American division since 1969 and continues in these positions.

On behalf of all the directors, we wish to express our appreciation to employees and shareholders for their cooperation and support during the past year.

Rawleigh Warner Jr.

CHAIRMAN

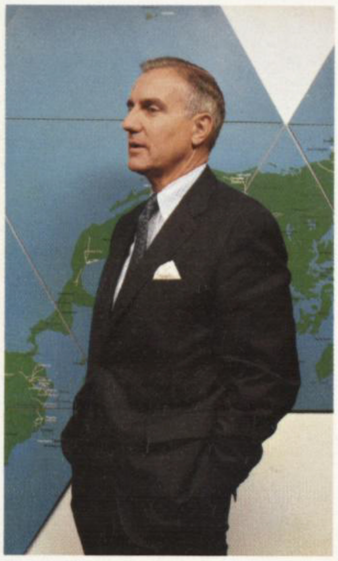
W. P. Tavoulareas

PRESIDENT

March 3, 1971

These are the seven members of the Executive Committee of the Board of Directors. Mr. Warner, as chairman of the Board of Directors and chairman of the Executive Committee, is chief executive officer of the corporation. Mr. Tavoulareas is president of the corporation and vice chairman of the Executive Committee. Mr. Nelson is executive vice president of the corporation for research, engineering and chemicals. Mr. Riordan is senior vice president for finance. Mr. Schmidt is executive vice president for supply, distribution, marine transportation, international sales, and Middle East affairs. Mr. Solomon is executive vice president for international petroleum operations and president of the International division. Mr. Tucker is executive vice president for North American petroleum operations and president of the North American division.

William P. Tavoulareas



Rawleigh Warner, Jr.

operating review: Mobil on the move around the globe

1970 was a record year for Mobil in all functions of its business. We produced, transported, refined, and sold more petroleum than ever before. We moved into new exploration areas in North and Central America, and began significant crude production in Nigeria. We launched another 212,000-ton tanker and met a worldwide tanker shortage with a fleet more than adequate to meet our needs. We expanded and modernized refineries in the United States, Europe, and Asia. In a major cooperative research effort, we made excellent progress toward developing a gasoline-powered automobile that will be virtually free of harmful emissions. In the marketplaces of the world, we introduced a number of new petroleum and chemical products, and in many areas increased our share of the gasoline market.

Beginning on this page are brief reviews of Mobil's 1970 operations.

exploration and producing

During 1970, Mobil improved its acreage position at diversified locations around the world, and attained record production of crude oil and natural gas.

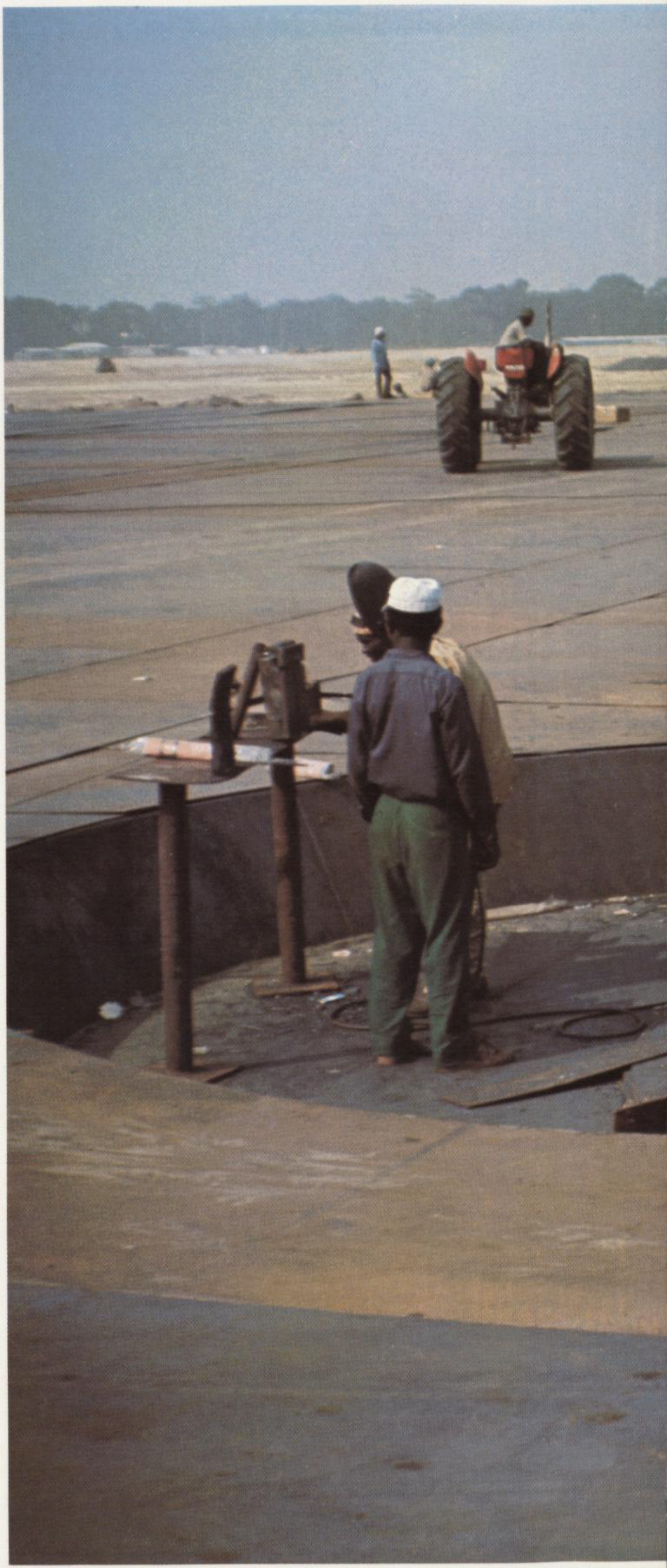
In Nigeria, crude production began in early 1970 through offshore facilities, and at year end reached 91,000 barrels daily. Mobil is constructing a permanent onshore terminal which should begin operation in late 1971. When the terminal is operating, other offshore fields will be brought on production.

Worldwide gross production of crude oil and natural gas liquids, together with quantities received under long-term arrangements, averaged 2,083,000 barrels a day, a 6.3% increase over 1969.

Gross production of crude oil and natural gas liquids in North America averaged 565,000 barrels a day, up 7.2%.

Natural gas production rose 10.3% to average 3.4 billion cubic feet daily. While most of our natural gas is produced in the United States, production in Canada and Germany increased markedly.

For the first time in 13 years, Venezuela opened a new area for oil exploration by offering service contracts on five 123,000-acre blocks in southern Lake Maracaibo. Mobil was selected as highest bidder for a service contract on one of the blocks, subject to the signing of a satisfactory agreement which Mobil is presently discussing with the government's oil company, CVP. Under the service contract concept, companies contract with the government for the right to explore for and produce oil, and are entitled to an agreed-upon percentage of any oil produced.



500,000 BARRELS OF CRUDE OIL (more than 20 million gallons) will be held in this storage tank in Nigeria. Welded steel floor is 260 feet in diameter, and steel walls will rise 56 feet. Five tanks this size are now under construction. Pipelines will bring oil from offshore wells for storage until tankers arrive. One of Mobil's new 212,000-ton ships could carry all the oil in three of these tanks.

Also in Venezuela, we began development of previously acquired acreage with known reserves in Lake Maracaibo. Production is expected to reach more than 25,000 barrels a day by late 1971.

In Indonesia, we added exploration rights on about 900,000 acres, bringing our total net interest in that country to more than 13 million acres. During 1970, five unsuccessful exploratory wells were drilled onshore. Further drilling both onshore and offshore is planned during 1971.

In early 1971 we were granted the first west-coast offshore agreement by Malaysia, covering about 11,900 square miles in the vicinity of Penang, in the Strait of Malacca. A seismic survey will get under way late this year.

In Central America, wildcat drilling commenced offshore Nicaragua, a seismic program continued offshore Honduras, and we acquired acreage offshore Panama.

In Germany, our gross natural gas production rose 32% during the year to more than 300 million cubic feet daily. This is one-fourth of all the gas produced in Germany and about 18% of the amount consumed in that rapidly growing market. Three discoveries in the northern part of the country and another in Bavaria added to reserves.

In Ghana, Mobil drilled two unsuccessful offshore exploratory wells. A review of the drilling results, with the seismic data, is under way to evaluate additional exploration.

In Canada, we acquired a 25% interest in 2.6 million acres in the Mackenzie Delta area of the Northwest Territories, where a wildcat drilling program is under way. In the Atlantic Ocean, Mobil and another company will conduct a joint drilling program on 12 million acres along the Scotian Shelf, where we have conducted extensive seismic work. In a second agreement, Mobil and another company will explore the Grand Banks.

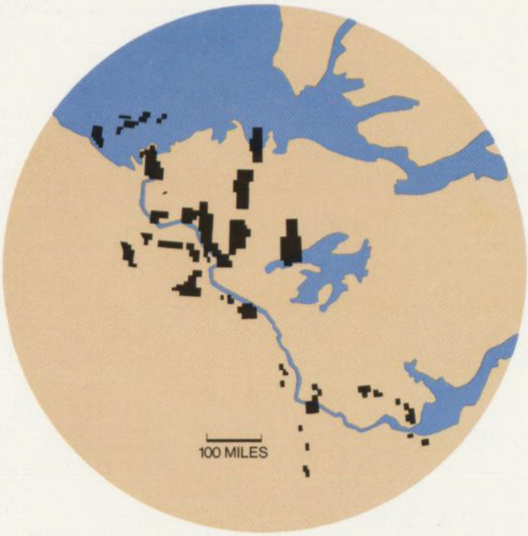
On the North Slope of Alaska, we participated in drilling four successful development wells to further delineate the western limits of the Prudhoe Bay field. We also participated in drilling two wildcat wells east of the Prudhoe Bay field on state leases. One was abandoned and the other was suspended. Although the timing is uncertain, we plan more wildcat drilling on the North Slope.

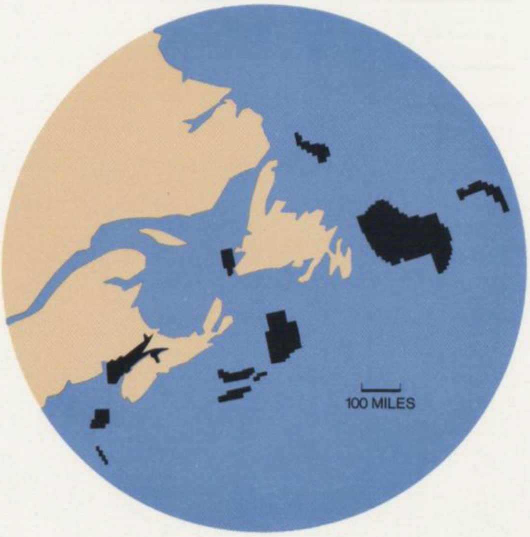
In Louisiana, Mobil, in association with other companies, acquired eight offshore tracts in a federal lease sale on December 15. Our net interest in these tracts is 17,492 acres. Drilling will start in 1971.

In southern Michigan, we reported encouraging finds of oil and gas in two wells within 20 miles of Lansing. We have leased about 900,000 acres in the state. Further drilling is planned.

In Texas, a discovery 50 miles south of Houston produced natural gas. Two successful development wells have been drilled on this 5,000-acre lease, and drilling continues.

A major secondary recovery project has been initiated at the SACROC unit of the Kelly-Snyder field in Texas, in which Mobil has a 13.4% interest. In this 10-year program carbon dioxide will be injected into the reservoir to increase total production by an estimated 150 million barrels.





PROMISING EXPLORATION AREAS in Canada are shown on these maps. Areas in black show Mobil's wholly owned or part-interest acreage. At top, in the Mackenzie Delta area and Canada's Northwest Territories, Mobil has a net interest in 11.1 million acres. A wildcat drilling program is under way in this region. In the Atlantic Ocean off the east coast of Canada (lower map) Mobil's net interest totals 31 million acres. Drilling will start off Nova Scotia in 1971.

AT RIGHT, OPERATOR CHECKS temperature of king-size deep freeze at Texas cryogenic plant. When natural gas is refrigerated to minus 147°F, valuable products such as ethane and propane separate and are piped off. This is one of three U.S. cryogenic plants (one part-interest) we completed in 1970.

Gross Production of Crude Oil and Natural Gas Liquids by Areas (thousands of barrels daily)

	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960
U.S. and Canada	565	527	521	475	413	372	346	330	316	302	288
Abu Dhabi	50	42	38	30	30	23	15	—	—	—	—
Indonesia	24	22	25	26	29	29	28	35	36	36	40
Iran	246	217	189	173	141	127	116	101	91	82	73
Iraq	185	181	178	145	164	155	148	137	119	118	114
Libya	165	172	154	136	128	76	34	2	—	—	—
Nigeria	54	—	—*	—	—	—	—	—	—	—	—
Qatar	23	24	23	23	23	23	22	23	22	21	21
Saudi Arabia	360	303	287	262	240	203	173	162	152	139	125
Venezuela	114	106	120	132	140	144	140	131	117	113	117
West Germany	19	20	21	22	23	24	23	20	20	19	18
Other	22	34	33	35	37	36	32	30	28	31	27
Total	1,827	1,648	1,589	1,459	1,368	1,212	1,077	971	901	861	823
Total together with quantities received under long-term arrangements	2,083	1,960	1,835	1,663	1,527	1,387	1,251	1,146	1,078	1,005	938

*Less than 1,000 barrels per day.

transportation

Flexibility and forethought enabled us to deal successfully with the worldwide tanker shortage that developed in 1970. The shortage resulted from unexpectedly high European demand combined with the continued closure of the Suez Canal, the disruption of the Trans-Arabian Pipeline to the Mediterranean, and a substantial cutback in the industry's Libyan crude production.

With less oil available in the Mediterranean area for short-haul runs to Europe, many more tankers were needed to haul crude from the Middle East around Africa to Europe.

We were able to meet the shortage for two reasons:

First, in anticipation of rising ship construction costs and charter rates, we had for some time been building up our fleet of company-owned ships and long-term-charter tonnage. Thus we were able to minimize our single-voyage charters when the worldwide shortage of tankers led to extremely high charter rates.

Second, we shortened supply lines and reduced freight requirements. We maximized production of our Nigerian crude—which does not have to travel around the southern tip of Africa to reach Europe. We moved additional crude from the U.S. Gulf Coast to the East Coast, thereby eliminating some long hauls from the Middle East.

Tanker Construction

Our second double-bottom supertanker, the *Mobil Pinnacle,* went into operation in 1970. The 212,000-deadweight-ton *Pinnacle,* sister ship to the *Mobil Pegasus,* carries crude from the Middle East to Europe and Japan.

Two similar vessels are scheduled to go into service in 1971, a fifth in 1973, and a larger vessel in 1974. All will have double bottoms—a feature pioneered and patented by Mobil—consisting of a 10-foot space between each vessel's bottom hull and cargo tanks. This feature reduces operating costs and would be an additional barrier between the crude oil and the sea if the vessel were to run aground.

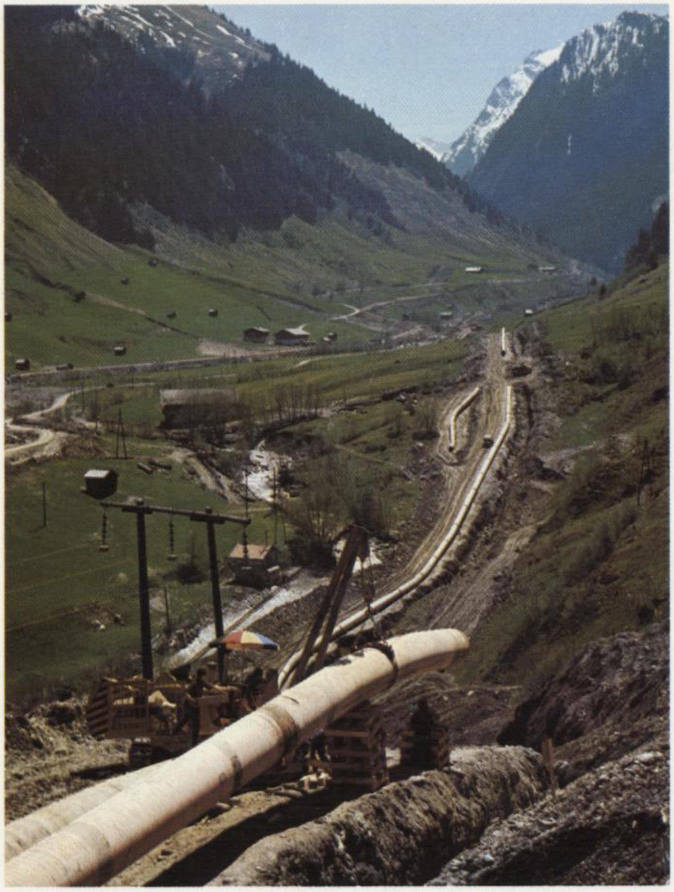
Four petroleum product carriers, each of 26,500 tons, are on order in Italy, three for delivery in 1971 and one in 1972. They will be used primarily in the European and West African trade. A 24,000-ton tanker is being built in Australia for that country's coastal trade.

A 126,000-ton American-flag tanker is being built in the United States for 1972 delivery. The tanker, built to carry crude from Alaska to our West Coast refineries, will initially be used in foreign trade.

Modernizing Program

We also continued our program of modernizing older vessels by enlarging the *Mobil Energy* into a 70,000-ton combination carrier. The ship can carry crude oil from the Middle East to our Paulsboro, N. J., refinery and then load coal for delivery to Japan. In this way, only the journey from Japan to the Middle East is in ballast, significantly reducing net transportation costs.

At year-end 1970, Mobil's worldwide fleet of 108 tankers totaled 6.1 million tons. This included 34 owned vessels



IN THE PEACEFUL ALPINE SCENE on the opposite page, the people are sitting directly over one of the world's largest pipelines. Every day 500,000 barrels of crude oil move safely and silently through the valley—en route from the Adriatic Sea to refineries in Austria and southern Germany. The photo above was taken at the same spot in Austria in 1966, when the Transalpine line was under construction. The pipeliners have long since covered their tracks by restoring the landscape, and today the line is all but forgotten by people who live nearby.

totaling 2.1 million tons. An additional 74 tankers under charter for a year or more aggregated 4 million tons.

Pollution Insurance Coverage

Mobil, one of the founders of TOVALOP (Tanker Owners Voluntary Agreement Concerning Liability for Oil Pollution), was active in developing a new voluntary fund for oil companies that would increase to $30 million the compensation available to those affected by an oil spill. This figure would include the $10 million now available under TOVALOP, in which more than 80% of the world's privately owned tanker tonnage is now represented.

Companies already in the new plan, which comes into operation on April 1, 1971, account for more than 70% of the crude and fuel oil moved by tanker.

Loading-Port Improvements

In Nigeria, Mobil is constructing an onshore terminal capable of accommodating 250,000-ton vessels. The terminal will replace the offshore facility we began using in 1970 to load crude for export.

In Iran, the oil consortium began engineering a new offshore loading platform which will accommodate tankers up to 500,000 deadweight tons. The platform is scheduled to be in operation in 1972. Mobil has a 7% interest in the consortium.

Pipelines

In Egypt, we will be entitled to transport 150,000 barrels of crude oil a day through the proposed Sumed pipeline over a 10-year period, beginning in 1973. Sumed will run from the Gulf of Suez to the Mediterranean, and will reduce the need for long voyages around Africa by tankers too large to use the Suez canal when loaded.

Capacity of the South European pipeline system, in which Mobil has a 5% share, is being doubled to 1,400,000 barrels a day. The line runs from the French Mediterranean coast to refineries in the Upper Rhine area, including our Woerth refinery in Germany.

In Austria, the 110,000 barrel-a-day Adria-Wien pipeline (Mobil 12.5%) went into operation in 1970. This is a spur connecting Vienna with the Transalpine pipeline (Mobil 11%), which runs from Trieste to southern Germany.

In Australia, Mobil is participating (31%) in a pipeline system to carry crude from the Bass Straits to refineries in the Melbourne area. The line is scheduled to be in operation by 1972, subject to government approvals.

In Japan, we are participating (5%) in the newly established Japan Petroleum Pipeline Company, which was formed by 28 petroleum companies as a step toward eventual construction of a nationwide product pipeline network.

In pipeline developments in the United States:

Mobil Pipe Line Company, our U.S. common carrier affiliate, is scheduled to complete a 27,000 barrel-a-day expansion of its natural gas liquids pipeline system from West Texas to the Beaumont refinery area by mid-1971.

Construction of the 800-mile trans-Alaska pipeline, in which Mobil holds an 8.68% interest, remains subject to government approvals and to lawsuits aimed at preventing these approvals. The 48-inch line is to carry North Slope crude to Valdez, on the south Alaska coast. Its initial capacity of 600,000 barrels a day can ultimately be increased to 2,000,000 barrels a day by the building of more pump stations. Alyeska Pipeline Service Company was formed to act as agent for the owners in constructing and operating the line.

A six-mile, 12-inch spur to the Olympic pipeline (Mobil 29.5%) to transport jet fuel from Olympic's Renton, Wash., terminal to the Seattle-Tacoma airport, was completed in December. Olympic also approved a major system expansion from 131,000 to 177,000 barrels a day, to be completed in late 1971.

The Colonial pipeline (Mobil 11.5%), which transports petroleum products from the Gulf Coast to markets in the Southeast and on the East Coast, will be expanded by more than 300,000 barrels a day—bringing the total capacity of the system to 1,450,000 daily barrels by mid-1972.

refining

In 1970, major improvements in our manufacturing system increased both refinery capacity and operating efficiency.

Expansion at Mobil's largest refinery, in Beaumont, Tex., was completed during the year, bringing capacity to 335,000 barrels a day.

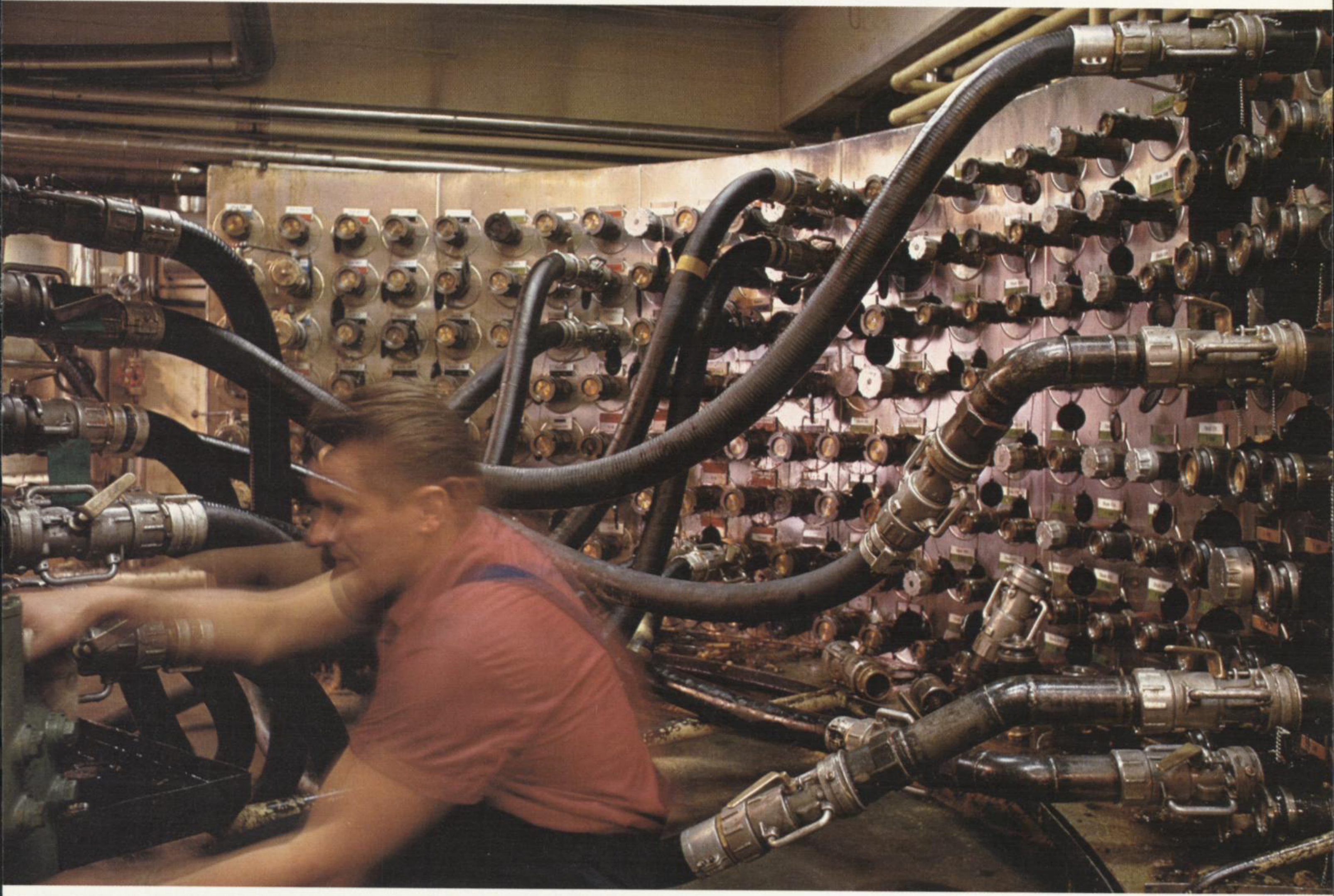
Although refinery activities at Beaumont were disrupted by a fire in mid-September, operations were back to normal by mid-October. Construction began on a new fluid catalytic unit that will replace three existing units.

At Beaumont and at Paulsboro, N. J., new facilities to upgrade the quality and to increase the output of automotive and industrial lubricants went into operation at midyear.

Construction moved ahead on the new 160,000 barrel-a-

A LEADER IN LUBRICATION for more than a century, Mobil now has more than 50 lube-blending plants in 31 countries. In modern plants such as this one (photo at top right) near Hamburg, Germany, skilled people blend base stocks and additives into a wide range of lubrication products.

ON THE DES PLAINES RIVER near Joliet, Ill., a 160,000 barrel-a-day refinery begins to take shape. When it's completed, the grounds will be landscaped, and the most modern equipment available will keep the air and water clean. It will have the largest initial capacity of any refinery ever built in the United States.



day refinery near Joliet, Ill. The new refinery will supply products to marketing areas in the North Central states.

In Germany, our new 75,000 barrel-a-day refinery at Woerth went on stream in February, 1970. Work started on expanding the refinery at Neustadt, in which Mobil has a 50% interest. Total capacity will be increased to 120,000 barrels a day from 70,000.

A new catalytic cracking unit will be an essential element of the Neustadt refinery expansion.

The addition of 40,000 barrels a day capacity to the refinery at Frontignan, France, was completed in October. The new facilities doubled its capacity and permitted us to shut down some small, high-cost units, resulting in a more economic operation.

Fourfold Expansion at Singapore

The capacity of the refinery in Jurong, Singapore, is being quadrupled to 100,000 barrels a day. The expansion is necessary to supply growing markets in Southeast Asia and the Pacific Islands, and to satisfy rapidly increasing demand for fuel oil and naphtha in Japan.

New port facilities at Jurong will allow giant tankers to deliver crude oil to the refinery.

The Altona, Australia, refinery (65% Mobil-owned) was expanded to 93,000 barrels a day from 63,000.

At Coryton, England, new facilities to produce refined microcrystalline and paraffin waxes were in operation at year end. These waxes have wide application in waterproof coatings and in a variety of food packages.

New Catalyst Boosts Octanes

Mobil's new Selectoforming process is now in use at refineries in England, The Netherlands, and France. This process uses a revolutionary new catalyst, developed in our laboratories, to improve the octane quality of gasoline. It does so by converting low-quality gasoline components into propane—which is in good demand as "bottled gas" in Europe.

Two lubricant-blending plants were built overseas in 1970, and three U.S. plants were modernized. Eight of the 14 U.S. plants have now been modernized or expanded.

Substantial outlays for air and water conservation are planned at Mobil refineries during 1971 and for the next several years.

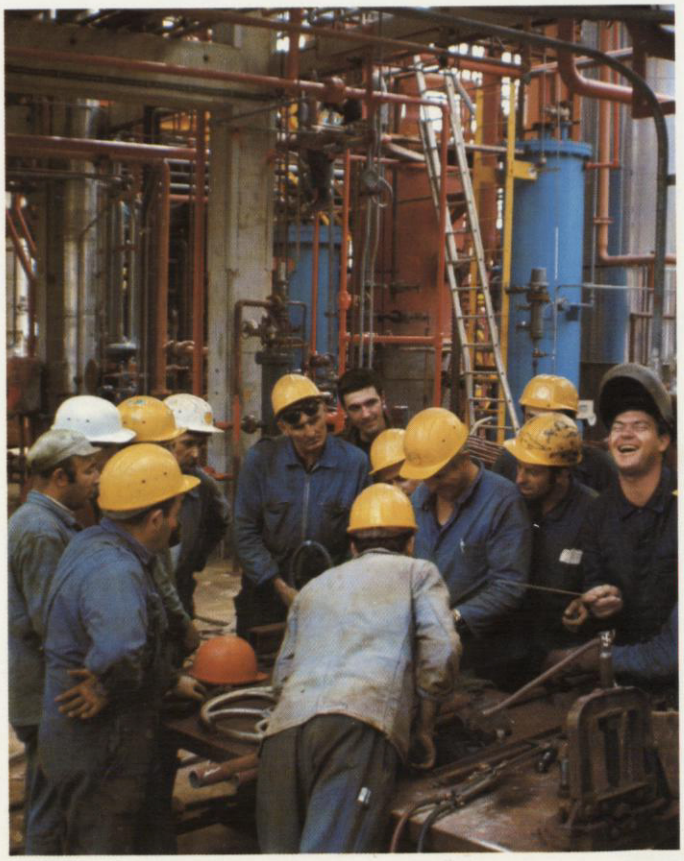
Refinery Runs Set Record

Worldwide refinery runs of crude oil and natural gas liquids increased 97,000 barrels a day to a new record of 2,004,000 barrels a day.

In the United States, daily refinery runs averaged 818,000 barrels, down 1.3% from 1969.

Outside the United States, refinery runs averaged 1,186,000 barrels a day, up 10%. These figures include runs in both wholly or partly owned refineries and under processing agreements in facilities owned by others.

ON THE MEDITERRANEAN at Frontignan, France, the Mobil refinery has been doubled in capacity, from 40,000 to 80,000 barrels a day. We have been adding an average of about 100,000 daily barrels to our worldwide refinery capacity each year since 1962. Below, Frontignan workers check out new welding equipment.



marketing

Mobil marketers again rang up record sales of petroleum products in 1970. Worldwide sales were 2,145,000 barrels a day—a 7% increase over 1969—with 43% of the total sales in the U.S. and 57% in other countries.

We expect 1971 to be another good year for sales growth in petroleum products. Gasoline demand should continue strong due to increased family and business travel.

Product prices strengthened in Japan in early 1970, and similar strengthening took place in Europe during the second half of the year. Petroleum prices in general also firmed in the United States in the fall, and in most instances reached or exceeded 1969 levels. But average gasoline prices failed to keep pace with rising costs.

Mobil's worldwide gasoline sales, through 47,000 dealers, showed sustained growth. In many areas of the world, a stepped-up campaign to build new service stations and modernize older ones helped us gain a larger share of the gasoline market.

In Europe, the number of self-service stations was increased during 1970. The experiment of selling non-automotive products at Mobil stations also was expanded.

In keeping with industry trends in the United States, Mobil last year began to install facilities at service stations in major markets in preparation for dispensing a new low-lead or no-lead gasoline in addition to the grades now marketed. (All 1971 model cars with low-compression engines will also perform well on Mobil Regular gasoline.)

Helping travelers select the best routes, lodgings, and restaurants was again stressed. Mobil teamed with National Data Corporation to launch a new computerized system—NDC Instant Reservations—for making U.S. hotel and motel reservations. The *Mobil Travel Guide,* which began listing area NDC phone numbers in 1970, will include more than 3,300 participating hotels and motels this year.

New-product developments include:

☐ The commercial introduction of a clean-burning heavy distillate for power-generating and marine gas turbines.

☐ The expanded application of synthesized hydrocarbon lubricants in automotive equipment, commercial aircraft, and in construction, power generation, and mining equipment. Synthesized lubricants are effective over extremely wide temperature ranges.

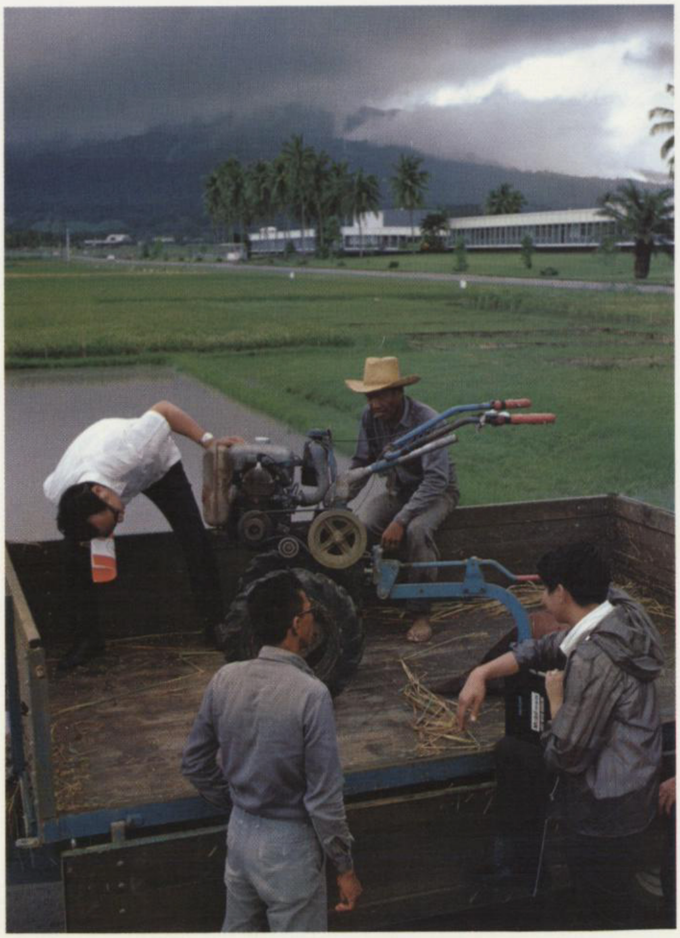
☐ The successful testing of a new, less flammable aircraft hydraulic fluid, based on Mobil's synthesized hydrocarbon technology, that will reduce fire hazards.

☐ The introduction of a new ashless detergent motor oil, Mobiloil Outboard Super, for two-cycle gasoline engines.

☐ The commercialization of Mobilgard 443, a superior railroad diesel engine oil.

☐ The introduction of a high-performance lubricant for industrial gears, a new turbine oil (DTE 797) for the U.S. electric power industry, a combination hydraulic fluid and gear lubricant for tractors, and, to replace three other products, a new multi-viscosity oil for gas engines that power irrigation pumps.

SERVICE IS THE NAME OF THE GAME—and also of the vessel at right. The *Mobil Service* plies the waters of New York Harbor, with quality lubricants for ocean-going ships. Mobil marine lubricants and fuels are available at more than 400 ports around the world. Aviation fuels and lubricants are sold at more than 750 airports, including the North Haven, Conn., field at lower right. Below, a Mobil technical representative (white shirt) in the Philippines gives lubrication advice to the owner of a new "mechanical water buffalo." The "buffalo" was developed at the International Rice Research Institute (background) for fast, economic cultivation of rice paddies.



JALARASHMI

Mobil
831

the Pegasus service station goes global

In 1966 Mobil built three experimental service stations designed by Architect Eliot Noyes. The clean, uncluttered look of the new stations won approval of customers and community leaders as well as Mobil dealers.

The design—called the Pegasus—has since been adopted as our worldwide standard. More than 750 Pegasus stations have already been built, and nearly 2,000 older stations have been modernized to reflect the Pegasus concept.

The Pegasus design is flexible; the tropical version at right is in Nairobi, Kenya.

Lighting is bright but soft whether the station uses canopies or, as in the U.S. station at bottom of opposite page, disc-type island lights.

The design also blends well with almost any neighborhood; the station at lower right is in France.

Self-service stations are popular in Europe; at bottom of page, an English miss helps herself. And in many countries, as in Japan and Kenya, below, the attendants often enhance the design.

Mobil Service
KMA 120
Diesel
U.T.C
Proven Safety

Mobil Service
Diagnostic Servic

chemical

Greater operating efficiencies were achieved in several areas of our chemical business in 1970. Mobil Chemical benefited from the disposal in 1969 of U.S. retail fertilizer operations. The remaining Mobil Chemical units showed an overall sales increase, with sales of plastic packaging products showing particularly good gains.

A new packaging products plant in Temple, Tex., began production in August, and a major expansion was completed at the Bakersfield, Calif., polystyrene foam products plant later in the year.

We began construction in December of a new plant in Belleville, Ont., which will make packaging products for the growing Canadian market. Expected to be in operation late in the summer of 1971, the plant will be our first plastics venture in Canada.

Many cities in the United States are encouraging the use of such products as "Hefty" trash can liners to reduce the cost of municipal waste collection. New York City is promoting the use of bags, and in Philadelphia we worked with officials and citizens' groups to sponsor "Bag Your Trash Week," a city-wide clean-up campaign. The success of this program has prompted a number of other communities to plan similar campaigns.

While helping to lower municipal collection costs and reduce odor, litter, and pest infestation, Mobil's trash can liners and other plastic products do not present any new or unusual disposal problems. Properly incinerated, they will not pollute the air. When disposed of in landfills, their inert character precludes the release of products of decomposition that could contaminate underground waters.

A new product, the "Hefty" scrap bag, was introduced during the year. This disposable bag, which fits into a tabletop stand, provides a convenient, sanitary way to dispose of kitchen waste. Consumer acceptance has been good.

Although prices for ethylene improved during the year, our petrochemical sales volumes were affected by a temporary disruption in the flow of feedstocks to the Beaumont, Tex., petrochemicals complex, due to the fire at our refinery there. A second adverse factor was lower demand for terephthalic acid (TPA) used to manufacture polyester fibers. This was caused by industry oversupply and by the General Motors strike, which reduced demand for fibers used in the manufacture of tire cord.

Increased Phosphate Rock Production

In order to meet expanded sales of phosphate rock, we will increase mining operations in Florida later this year. A new washer plant near Nichols is now under construction. The new operation will permit us to raise phosphate rock production from 3.2 million tons to 4.4 million tons annually and enable us to utilize fully our existing rock processing facilities.

In industrial chemicals, "Mocap," a non-persistent pesticide which has proved effective against rootworms that attack corn and tobacco, has also received U.S. Department of Agriculture approval for use with soybeans, peanuts, and sweet potatoes. The manufacturing plant in Mt. Pleasant, Tenn., which produces "Mocap" has been expanded to meet the higher demand. This facility also has been modified to manufacture "Folex," a cotton defoliant used to facilitate harvesting.

Sharply rising costs for electrical power and other raw materials resulted in the closing of two economically marginal phosphorus furnaces, one at Mt. Pleasant and the other at Charleston, S.C. Our Nichols, Fla., furnace will continue in operation. Additional phosphorus requirements are being met by purchases.

Our chemical coatings business continued to improve, with particularly good results in packaging coatings, maintenance and marine coatings, and overseas operations.

A new plant in Edison, N.J., has begun production of base stocks for synthetic lubricants such as Mobil Jet Oil II, which is manufactured by Mobil Chemical. Mobil is the only oil company manufacturing synthetic base stocks used in the production of these lubricants.

In December, Taiwan Fertilizer Company purchased the urea and ammonia fertilizer complex in Taiwan in which Mobil held a 35% interest. Although the complex had provided a satisfactory return in the past, oversupply and declining prices made continued participation unattractive to Mobil.

New Products

Research and development work continues to be concentrated in areas that offer potentially profitable extensions of existing businesses.

In plastics, we completed development of a high-quality line of disposable foam-laminate tableware for institutional use to be marketed in 1971. This attractive product innovation marks our entry into this large, fast-growing market.

Two new herbicides achieved promising results during field tests. These non-polluting products, a general weed-killer and a selective crop herbicide, are undergoing further testing to secure U.S. Department of Agriculture approval.

Development is proceeding on a family of flame retardants for rayon fibers used in carpeting and draperies. Early response among potential industrial customers who have tested the new products has been favorable. Further tests will be undertaken during 1971.

In coatings, we are developing a line of wood finishes called "Durabild-UV" which are cured by ultraviolet light. The process reduces the cost of coating such products as furniture and wood paneling by reducing solvent loss and shortening curing time.

IN SUBURB AND CITY, "Hefty" trash can liners are helping reduce the cost of collecting municipal waste. The plastic liners eliminate the need for handling heavy cans, and sharply reduce odor and litter.

D 1

research

Encouraging progress was made during 1970 in a major research effort to develop a virtually pollution-free automobile. The thrust of the program has moved out of the laboratory onto the highway, where promising systems for controlling emissions are undergoing durability tests in fleets of cars.

The research program is a cooperative effort launched by Mobil and Ford Motor Company in 1967. This Inter-Industry Emission Control (IIEC) program has since been joined by nine other petroleum and auto companies in the United States, Italy, and Japan.

The IIEC set up a tough goal: to develop engine-fuel systems that would reduce harmful emissions from gasoline-powered vehicles by 90 to 95% from the levels of uncontrolled (pre-1963 model) cars.

Systems that meet these stringent goals are now being road-tested. These systems can use both unleaded gasoline and gasoline containing a small amount of lead (half a gram per gallon). The objective is to meet emission standards at the lowest cost to the consumer.

During 1971 the IIEC research program will be concentrating on three areas: improving the durability of the systems, reducing the penalty in gasoline mileage and engine performance that all known control systems impose, and determining what further refinements will be needed to meet the specific requirements of the 1970 Federal Clean Air Act for 1975 and later-model cars.

Protecting the Environment

Among the research projects completed in 1970 was a new sound source for offshore seismic work. Using compressed air instead of explosives to create sound waves, this instrument yields improved knowledge about subsea rock formations, with no harm to marine life.

An insulated oilwell casing system for drilling operations in the Arctic also was developed in 1970. In areas like the North Slope of Alaska, hot crude oil flows to the surface in steel casings that pass through several hundred feet of permafrost—a frozen mixture of gravel, mud, and ice. Mobil research and engineering people constructed a computerized mathematical model to predict heat-flow conditions in the permafrost. Using this model, they developed a molded polyurethane jacket that is cemented around the casing to insulate the permafrost against possible damage from melting.

Work also continued on developing an underwater completion system for producing oil and gas in deep water. In addition to its economic benefits, this subsea production satellite is well below the reach of storms, destructive waves, shipping, and even icebergs. Resting on the ocean floor, the satellite does not disturb the seascape. Risk of oil spillage or fire is minimized. This is a joint development of Mobil and North American Rockwell.

New Products Go to Market

During the year we moved 31 new or improved products from the laboratory to the marketplace. Several are listed in the Marketing section of this report. Others include:

☐ Two synthetic aviation jet oils. One meets new U.S. Air Force requirements; the other meets the performance needs of new-generation engines and gives improved deposit-free operation in current jet engines.

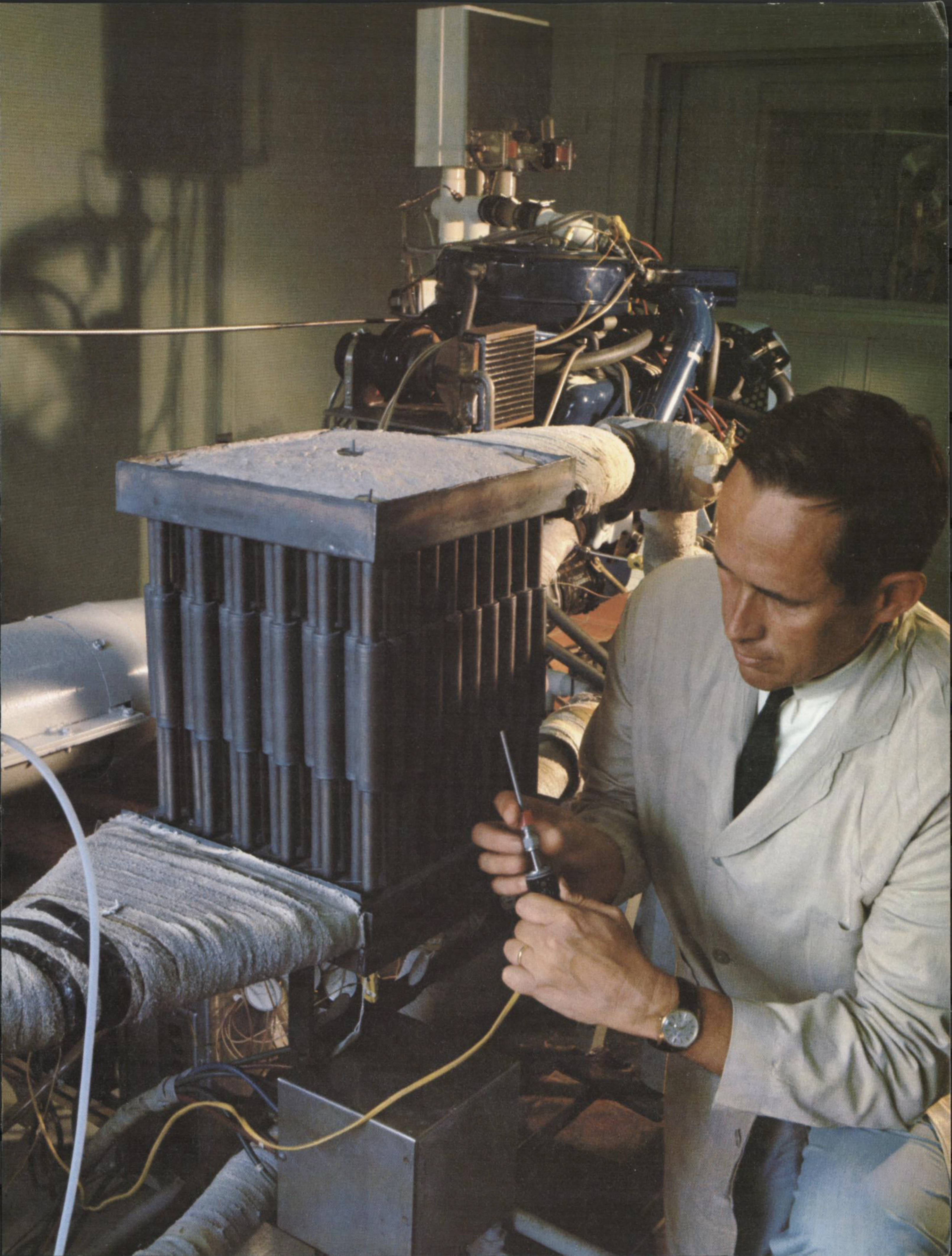
☐ A new oil to lubricate reciprocating parts and to cool pistons of advanced, highly supercharged diesel engines for ocean-going freighters.

☐ An automotive gear oil offering improved anti-rust operation.

☐ A family of premium anti-wear hydraulic oils for industrial and marine equipment exposed to wide variations in temperature—deck hoists on freighters, for example, which must function in both arctic and tropical climates.

During 1970 we continued an exchange program in which a scientist in one of our European or Japanese laboratories may be assigned to a laboratory in the United States for up to two years, while an American scientist is assigned to an overseas laboratory. The program has proved to be an excellent way to ensure that new scientific knowledge and understanding is communicated to our technical people.

SCIENTIST AT MOBIL LABORATORY tests the durability of catalysts in an automotive pollution-control system. Engine exhaust is fed through test equipment, which can monitor the performance of more than 100 catalysts simultaneously under simulated highway conditions. Fleets of cars equipped with the most promising systems are now undergoing road tests.



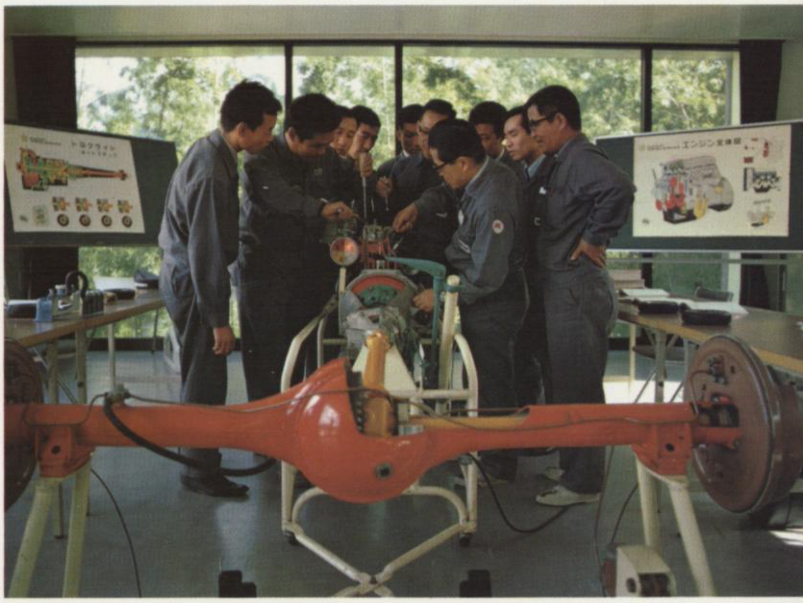
people: learning and helping others to learn

Every day Mobil people are absorbing new knowledge about their jobs—and helping others to master new skills. Last summer, middle-management people from 16 Mobil companies in Europe and Africa came together for a two-week seminar (three photos at right) at the Centre for Management in Oxford, England. The subject was "Factors of Management," and the students learned almost as much during informal outdoor discussions as in the classroom.

Each year thousands of independent Mobil dealers and their employees study service-station operation and management at free courses given in the company's training centers. The class at right is in Japan.

In center photo, a car in the 1970 "clean-air-car race" is tested for air pollution. College students organized and ran the coast-to-coast event, with companies like Mobil helping with test equipment and advice on pollution-control devices. Student teams entered 45 experimental cars powered by steam, batteries, propane, and gasoline. Overall winner was a gasoline-powered car from Wayne State University.

At far right, New York City high school students learn to become service-station attendants. Mobil people donated the engine, accessories, and testing equipment to the school—plus advice on teaching methods.

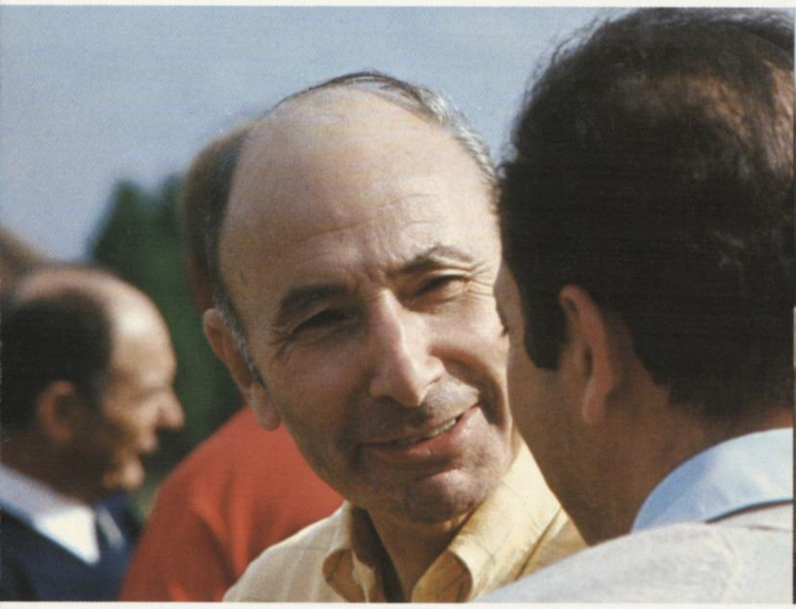


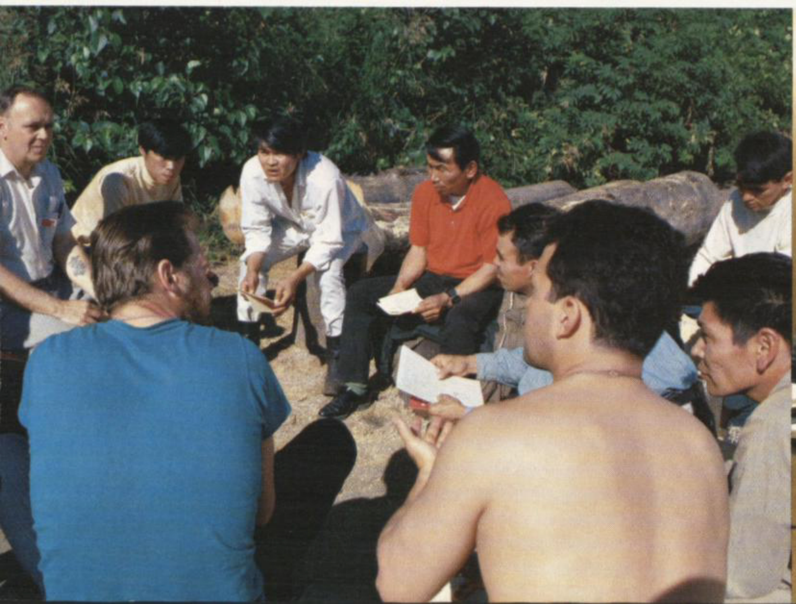
When a group of French college students toured the U.S. in 1970, they visited the Mobil Technical Center near Princeton, N.J., to learn about our research programs. The students were members of a nonpolitical organization aimed at encouraging French-American friendship.

In the center photo, a class in work-camp management moves outside in the warm Alaskan summer. In a 10-week course given by state agencies and the oil industry, 122 Alaskans studied such subjects as welding, fire-fighting, carpentry, and electricity.

At far right, an instructor at the Mobil research laboratories in Paulsboro, N.J., leads a class in petroleum manufacturing—one of several technical courses offered to employees. Many of the students already hold advanced college degrees; all are in responsible positions in the company.

Mobil
Research & Development Corporation
Central Research Division Laboratory





financial and operating data*

	1970	1969	1968	1967	1966	1965
Financial (in thousands of dollars except per-share data)						
Revenues	$8,310,319	$7,572,658	$7,092,705	$6,473,084	$5,886,515	$5,517,426
Net income	482,707	456,498†	430,708	385,393	356,112	320,116
Per share *(based on average shares outstanding)*	4.77	4.50†	4.26	3.80	3.51	3.15
Cash dividends	243,090	228,197	207,465	187,423	167,346	154,853
Per share	2.40	2.25	2.05	1.85	1.65	1.52½
Capital and exploration outlays	879,475	800,034	713,171	678,524	682,214	557,345
Current assets	3,203,730	2,789,869	2,829,221	2,399,024	2,084,271	2,037,722
Current liabilities	2,024,980	1,730,459	1,686,107	1,503,071	1,257,464	1,115,566
Working capital	1,178,750	1,059,410	1,143,114	895,953	826,807	922,156
Net properties, plants, and equipment	3,949,991	3,633,956	3,389,093	3,196,739	2,974,797	2,724,903
Long-term debt	974,973	738,267	748,447	527,723	421,917	448,408
Shareholders' equity	4,540,103	4,309,070	4,094,452	3,848,859	3,660,984	3,483,510
Per share *(based on shares outstanding at end of year)*	44.81	42.45	40.44	38.05	36.12	34.30

†Excludes an extraordinary write-off in 1969 of $22.0 million (net of applicable income tax reduction), or 22 cents per share, related to the corporation's withdrawal from the retail fertilizer business in the United States.

Shareholders and Employees (end of year)						
Number of shareholders	222,800	219,700	218,600	213,500	210,300	206,900
Number of shares outstanding	101,313,000	101,498,000	101,258,000	101,157,000	101,358,000	101,548,000
Number of employees	75,600	76,000	78,300	79,800	80,900	80,600

Operating (barrels daily, except natural gas)						
Gross production—crude and gas liquids	1,827,000	1,648,000	1,589,000	1,459,000	1,368,000	1,212,000
U.S. and Canada	565,000	527,000	521,000	475,000	413,000	372,000
All other countries	1,262,000	1,121,000	1,068,000	984,000	955,000	840,000
Gross production—crude and gas liquids *(together with quantities received under long-term arrangements)*	2,083,000	1,960,000	1,835,000	1,663,000	1,527,000	1,387,000
Natural gas production *(thousands of cubic feet daily)*	3,379,000	3,063,000	2,731,000	2,382,000	2,181,000	1,993,000
Refinery runs—crude and gas liquids	2,004,000	1,907,000	1,828,000	1,677,000	1,581,000	1,467,000
United States	818,000	829,000	824,000	752,000	737,000	710,000
All other countries	1,186,000	1,078,000	1,004,000	925,000	844,000	757,000
Petroleum product sales	2,145,000	2,003,000	1,874,000	1,721,000	1,579,000	1,503,000
U.S. and Canada	935,000	913,000	883,000	818,000	771,000	760,000
All other countries	1,210,000	1,090,000	991,000	903,000	808,000	743,000

Operating statistics include the corporation's interest in the operations of companies owned 50% or less.

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*Detailed data on the corporation, and a statement of its major accounting policies, are contained in a separate report, Financial and Operating Statistics 1970. For copies, write the Secretary, Room 2500, Mobil Oil Corporation, 150 East 42nd Street, New York, N.Y. 10017.

financial review

Earnings and Dividends

Mobil's consolidated income in 1970 reached a record of $482.7 million ($4.77 per share), an increase of 5.7% over the previous high of $456.5 million ($4.50 per share) earned in 1969. The 1969 amount is before a $22.0 million (22 cents per share) extraordinary write-off related to the sale of certain chemical assets and withdrawal from the retail fertilizer business in the United States. Net income in 1969 after this charge was $434.5 million, or $4.28 per share.

Shareholders received record cash dividends in 1970 of $243.1 million, an increase of $14.9 million over 1969. On a per-share basis, dividend payments rose from $2.25 in 1969 to $2.40 in 1970. This latter amount represents a dividend of 60 cents per share paid in each quarter of the year.

Investments and Long-Term Receivables

Investments in certain companies owned 50% or less in which Mobil has a substantial investment and which are directly involved in petroleum or chemical activities are accounted for on an equity basis.

Mobil's investments in other less-than-majority-owned companies are stated at cost less applicable reserves, which is less than its equity in the net assets of such companies. Dividend income from these companies during 1970 amounted to $17.3 million, approximately equal to the corporation's equity in the earnings of these companies for the year.

Shareholders' Equity

Shareholders' equity rose from $42.45 per share in 1969 to $44.81 in 1970, an increase of $2.36 per share. The rate of return on average shareholders' equity was 10.9%, the same as in 1969.

Taxes

Taxes in the United States and abroad amounted to $2,634 million in 1970, an increase of $293 million over the 1969 total of $2,341 million. Deferred income taxes are provided for significant transactions which affect book and taxable income in different years. Such taxes are not provided for permanent differences between book and taxable income including the effects of statutory depletion and intangible drilling costs.

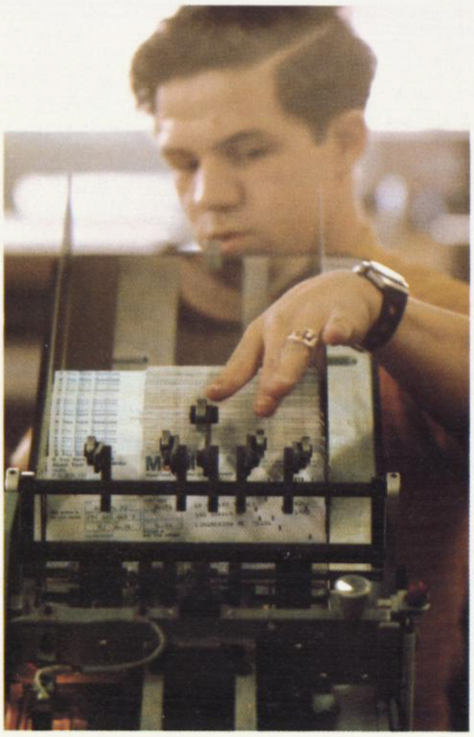
	1970	1969
	(In millions)	
Excise and state gasoline taxes	$ 837	$ 765
Import duties	1,264	1,125
Property, production, payroll, and other taxes	150	146
Income taxes—United States and other countries:		
Current	391	302
Deferred	(8)	24
	2,634	2,362
Applicable to extraordinary item:		
Current	—	(7)
Deferred	—	(14)
	$2,634	$2,341

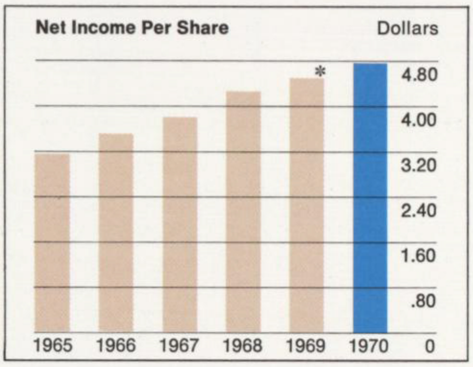
Inventories

Inventories are valued at cost, which was lower than their aggregate market value at December 31, 1970. Substantially all domestic inventories of crude oil and petroleum products—representing about 35% of the worldwide total of all inventories at December 31, 1970—are valued under the last-in, first-out method. All other inventories are valued at average cost.

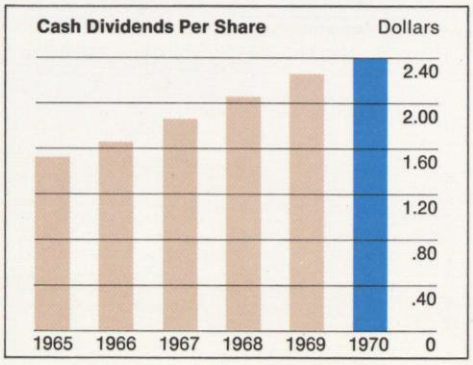
Capital and Exploration Outlays

The 1970 capital and exploration programs resulted in a





Net Income Per Share



Cash Dividends Per Share

*Excludes an extraordinary write-off of $22.0 million (net of applicable income tax reduction), or 22 cents per share, related to the corporation's withdrawal from the retail fertilizer business in the United States.

record outlay of $879 million, an increase of $79 million over the $800 million expended in 1969.

	1970			1969
	U.S. and Canada	Other Countries	Total	Total
		(In millions)		
Capital expenditures				
Producing	$176	$ 68	$244	$296
Refining	73	87	160	118
Chemicals	33	1	34	28
Marketing	124	102	226	187
Marine	20	29	49	33
Other	39	3	42	21
	465	290	755	683
Exploration expenses including non-productive wells	80	44	124	117
	$545	$334	$879	$800

Depreciation, Depletion, and Amortization

Annual charges to income for depreciation are computed generally on a straight-line basis over the useful lives of the various classes of properties or, where appropriate, on the unit-of-production basis.

Capitalized acquisition costs of unproven mineral rights (leases) are generally amortized on a straight-line basis by charges against income over the full term, or an appropriate shorter period. When a mineral right is surrendered, any unamortized cost is charged to expense. When a property is proven productive, the unamortized cost of the mineral right then becomes subject to depletion.

Depletion of the cost of producing properties and amortization of capitalized intangible drilling costs are calculated on the unit-of-production basis.

Long-Term Debt

At December 31, 1970, long-term debt amounted to $975 million, an increase of $237 million from the $738 million payable at year-end 1969. Long-term debt consisted of the following:

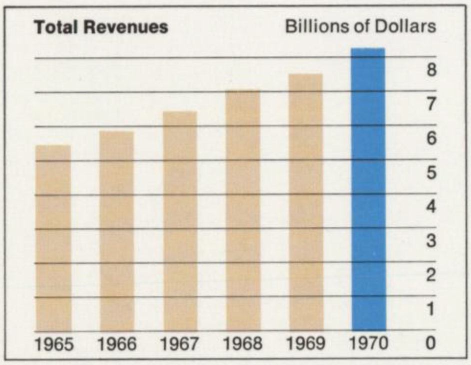
	1970	1969
	(In millions)	
Thirty year 4¼% debentures due 1993 (less $18 in treasury)	$170	$170
Thirty year 2½% debentures due 1976 (less $8 in treasury)	57	57
Other debentures, 4¾% to 7%, due 1980-1986	98	100
Term notes, 4⅛%, due 1979-1988	60	60
Notes payable to banks		
Due 1973-1975, at, to fractionally above, prime	260	—
Various, due 1972-1979, weighted average interest rate 6½%	211	253
Other 5% to 8⅛% due 1972-1983	119	98
	$975	$738

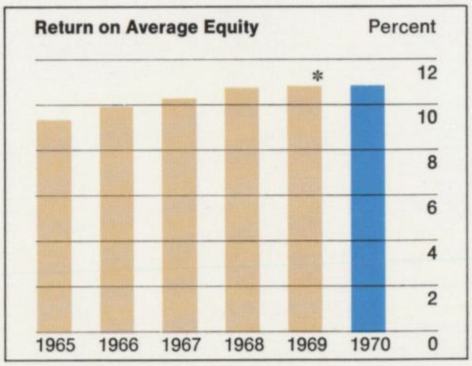
Reserves

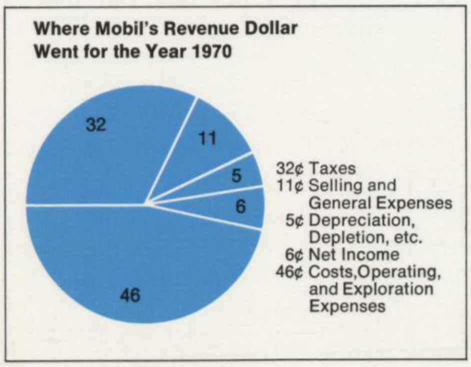
At December 31, reserves for insurance, employee benefits, and contingencies affecting foreign operations were as follows:

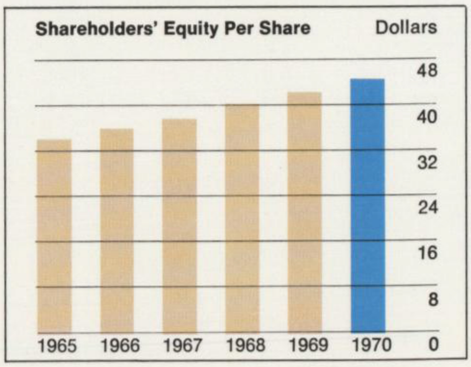
	1970	1969
	(In millions)	
Insurance	$ 44	$ 44
Employee benefit plans	102	97
Contingencies affecting foreign operations	19	19
	$165	$160

The corporation's policy is to fund benefit plan costs cur-


Total Revenues


Return on Average Equity


Where Mobil's Revenue Dollar Went for the Year 1970


Shareholders' Equity Per Share

*Excludes an extraordinary write-off of $22.0 million (net of applicable income tax reduction), or 22 cents per share, related to the corporation's withdrawal from the retail fertilizer business in the United States.

rently, except for certain self-administered plans for which estimated costs are accrued currently in the reserve for employee benefit plans.

In the United States, Mobil's employee benefit program provides pensions, group life insurance, and savings plans, as well as several supplementary benefit plans covering such contingencies as sickness and accidents. Affiliates outside the United States also provide for various pension and other benefit programs. Pension programs cover substantially all employees of the corporation.

The total charge to income in 1970 for pension plans was $38 million.

Incentive Compensation Plan

A provision of $5.8 million was made against 1970 earnings for awards granted in early 1971 under the corporation's Incentive Compensation Plan. This amount was substantially less than the plan permits.

Stock Option Plans

Under the Stock Option Plan approved by shareholders in 1969, options may be granted to key employees to purchase a maximum of 1,000,000 shares of capital stock. No additional options may be granted under the 1960 and 1965 plans. Options are granted at 100% of the fair market value of Mobil stock at the time of the award and generally may be exercised in annual installments after the first year. "Restricted" options, granted prior to January 1, 1964, have a life of ten years; "qualified" options, granted after that date, have a life of five years; "non-qualified" options granted under the 1969 plan have a life of not more than ten years.

Transactions in 1970 under the three plans are summarized below:

	1969 Plan	1965 Plan	1960 Plan
January 1, 1970— shares under option	400,420	389,120	158,010
Options granted at prices ranging from $48.00 to $54.06	17,000	—	—
Options surrendered or cancelled	(12,600)	(16,900)	(12,974)
Options exercised at prices ranging from $18.19 to $45.50	—	(58,160)	(47,837)
December 31, 1970— shares under option	404,820*	314,060	97,199
Options exercisable at December 31, 1970	97,630	256,985	63,817
at an average price of	$55.50	$44.84	$32.46

*Includes non-qualified options on 383,820 shares granted in 1970 under this plan, exercisable only if and to the extent that qualified options granted under the plan during 1969 are not exercised. Hence, this grant with respect to such shares did not increase the total number of shares subject to option. These non-qualified options cannot be exercised at all until a year from the date of grant.

At December 31, 1970, there were 595,180 shares available for option under the 1969 plan.

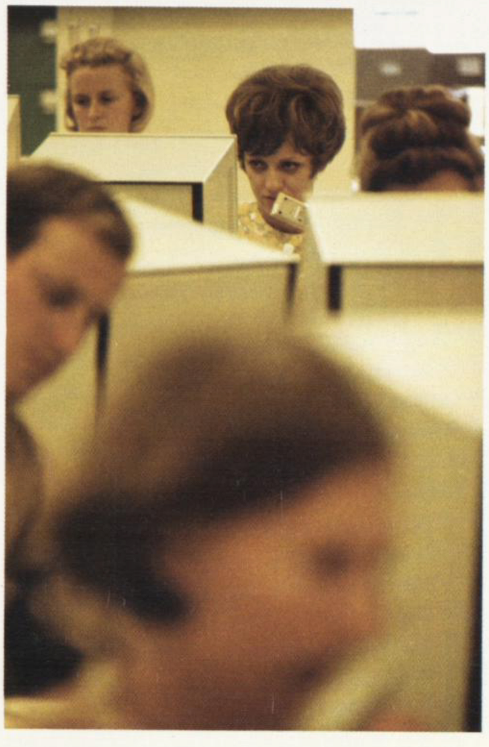
The excess of proceeds over par value of shares issued under the stock option plans amounting to $3 million in 1970 and $7 million in 1969 was credited to capital surplus.

Commitments and Contingent Liabilities

At December 31, 1970, minimum annual rentals of about $78 million were payable on non-cancellable leases expiring more than three years from that date, covering such properties as tankers, service stations, and office buildings. Annual rental revenue from all such properties subleased to others is estimated to be $23 million. Substantial commitments were also made in the normal course of business for the acquisition or construction of properties, plants, and equipment (including tankers for time-charter to Mobil).

The corporation has guaranteed approximately $72 million of the obligations of others, excluding certain cross-guarantees (about $34 million) of foreign customs duties made with other responsible companies in the ordinary course of business. In addition, the corporation has guaranteed specified revenues from crude and products shipments under agreements with pipeline companies in which it holds stock interests. If these companies are unable to meet certain obligations, Mobil may be required to advance funds against future transportation charges. No material loss is anticipated under these guarantees.

The corporation is of the opinion that, while the ultimate liability in respect of litigation and other claims pending against the corporation cannot be determined at this time, such liability, to the extent not provided for through insurance or otherwise, is not likely to be of material importance in relation to the corporation's accounts.



Capital Stock

At December 31, 1970, a total of 102,796,266 shares of $7.50 par value had been issued, including 1,483,192 shares held in the treasury. Shares outstanding at year end totaled 101,313,074, a decrease of 185,235 shares during 1970. This change was comprised of purchases of 316,100 shares by the corporation, 105,997 shares issued under the stock option plans, and the issuance of 24,868 shares held in the treasury for awards granted under the Incentive Compensation Plan.

General

Accounts of all domestic and foreign subsidiaries more than 50%-owned are included in the consolidated financial statements. Items recorded in foreign currencies are expressed in U.S. dollars at appropriate rates of exchange.

A geographical distribution of net income and shareholders' equity is presented on page 32.

In 1969, the corporation for the first time purchased directors' and officers' liability and corporation reimbursement insurance. This purchase was authorized by an amendment to the New York Business Corporation Law which became effective September 1, 1969. The corporation now has in effect contracts with Pacific Indemnity Company and with Lloyds of London, both effective September 1, 1970, at an aggregate annual cost of $105,000. The insurance covers the directors and officers of the corporation and certain designated employees of the corporation and certain subsidiaries—44 positions in all.

report of certified public accountants

Board of Directors and Shareholders
Mobil Oil Corporation

We have examined the accompanying consolidated balance sheet of Mobil Oil Corporation at December 31, 1970 and the related consolidated statements of income and earnings retained in the business and the consolidated statement of source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Mobil Oil Corporation at December 31, 1970 and its consolidated results of operations and the source and application of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Young & Company

277 Park Avenue
New York, N.Y. 10017
March 1, 1971

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Michael Anguti: pp. 15, 17 (bottom), 23 (bottom left).

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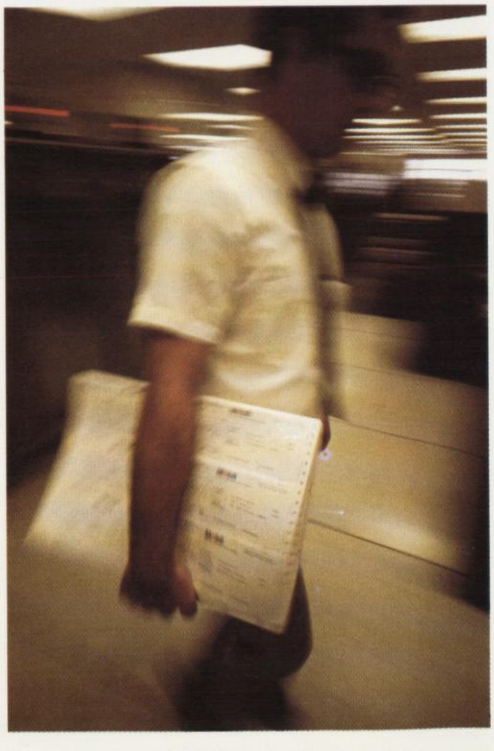

consolidated statement of income

Mobil Oil Corporation

	1970	year ended December 31 1969
Revenues		
Sales and services (including excise and state gasoline taxes: 1970—$836,802,000; 1969—$764,514,000)	$8,097,324,000	$7,385,907,000
Dividends, interest, and other revenue	212,995,000	186,751,000
	8,310,319,000	7,572,658,000
Costs and Expenses		
Crude oil, products, materials, and operating expenses	3,673,755,000	3,382,220,000
Exploration expenses, including non-productive wells	124,299,000	116,563,000
Selling and general expenses	929,204,000	834,307,000
Depreciation, depletion, and amortization	392,138,000	355,764,000
Interest and debt discount expense	74,238,000	65,259,000
Taxes	2,633,978,000	2,362,047,000
	7,827,612,000	7,116,160,000
Income before Extraordinary Item	482,707,000	456,498,000
Extraordinary Item		
Write-off related to sale of fertilizer assets and withdrawal from retail fertilizer business in the United States, less applicable income tax reduction of $21,200,000	—	(21,983,000)
Net Income	$ 482,707,000	$ 434,515,000
Per Share		
Income before extraordinary item	$4.77	$4.50
Extraordinary item	—	(.22)
Net income	$4.77	$4.28

consolidated statement of earnings retained in the business

	1970	year ended December 31 1969
Earnings Retained in the Business—Beginning of Year	$2,939,575,000	$2,733,257,000
Net income	482,707,000	434,515,000
Cash dividends paid	(243,090,000)	(228,197,000)
Earnings Retained in the Business—End of Year	$3,179,192,000	$2,939,575,000

consolidated balance sheet at december 31

Assets	1970	1969
Current Assets		
Cash	$ 144,007,000	$ 144,574,000
Marketable securities, at amortized cost (approximating market)	850,634,000	583,333,000
Accounts and notes receivable (less estimated doubtful accounts)	1,432,796,000	1,363,825,000
Inventories:		
Crude oil and products	689,565,000	621,491,000
Materials and supplies	86,728,000	76,646,000
Total Current Assets	3,203,730,000	2,789,869,000
Investments and Long-Term Receivables	621,363,000	603,260,000
Properties, Plants, and Equipment (at cost)		
Producing	2,983,387,000	2,849,011,000
Refining	1,687,900,000	1,554,314,000
Chemicals	426,488,000	398,276,000
Marketing	1,842,222,000	1,646,569,000
Marine	358,913,000	315,376,000
Pipelines	320,886,000	298,759,000
Other	124,523,000	110,347,000
	7,744,319,000	7,172,652,000
Less accumulated depreciation, depletion, and amortization	3,794,328,000	3,538,696,000
Net Properties, Plants, and Equipment	3,949,991,000	3,633,956,000
Prepaid and Deferred Charges	145,965,000	135,909,000
Total	$7,921,049,000	$7,162,994,000

Mobil Oil Corporation

Liabilities and Shareholders' Equity	1970	1969
Current Liabilities		
Accounts and notes payable and accrued liabilities	$1,253,445,000	$1,154,800,000
Income, excise, state gasoline, and other taxes payable	682,494,000	522,506,000
Long-term debt maturing within one year	89,041,000	53,153,000
Total Current Liabilities	2,024,980,000	1,730,459,000
Long-Term Debt	974,973,000	738,267,000
Deferred Credits		
Deferred income taxes	148,813,000	163,102,000
Other	46,096,000	41,870,000
Total Deferred Credits	194,909,000	204,972,000
Reserves		
For insurance, employee benefits, and contingencies affecting foreign operations	165,061,000	160,207,000
Minority Interest in Subsidiary Companies	21,023,000	20,019,000
Shareholders' Equity		
Capital stock	770,972,000	770,177,000
Capital surplus	650,832,000	647,844,000
Earnings retained in the business	3,179,192,000	2,939,575,000
	4,600,996,000	4,357,596,000
Less capital stock held in treasury (at cost)	60,893,000	48,526,000
Total Shareholders' Equity	4,540,103,000	4,309,070,000
Total	$7,921,049,000	$7,162,994,000

consolidated statement of source and application of funds

Mobil Oil Corporation

year ended December 31	1970	1969
Source of Funds		
Current operations:		
Net income	$ 482,707,000	$ 434,515,000
Depreciation, depletion, and amortization	392,138,000	355,764,000
Deferred income taxes	(8,474,000)	10,200,000
Book value of properties, plants, and equipment sold	29,087,000	46,236,000
Long-term debt increases	328,336,000	61,421,000
Issuance or sale of capital stock	4,809,000	9,155,000
Other, net	10,283,000	10,438,000
Total Source	1,238,886,000	927,729,000
Application of Funds		
Capital expenditures	755,176,000	683,471,000
Investments and long-term receivables	16,257,000	27,309,000
Long-term debt reductions	91,630,000	71,601,000
Purchase of capital stock	13,393,000	855,000
Cash dividends	243,090,000	228,197,000
Total Application	1,119,546,000	1,011,433,000
Increase (Decrease) in Working Capital	$ 119,340,000	$ (83,704,000)

geographical distribution of net income and shareholders' equity

	1970		1969	
	Total	Per Share	Total	Per Share
Net Income (year ended December 31)				
United States—Operations	$ 246,870,000	$ 2.44	$ 257,839,000	$ 2.54
Extraordinary Item	—	—	(21,983,000)	(.22)
Total United States	246,870,000	2.44	235,856,000	2.32
Other Western Hemisphere	35,591,000	.35	23,145,000	.23
Eastern Hemisphere	200,246,000	1.98	175,514,000	1.73
Total	$ 482,707,000	$ 4.77	$ 434,515,000	$ 4.28
Shareholders' Equity (end of year)				
United States	$2,512,992,000	$24.80	$2,395,244,000	$23.60
Other Western Hemisphere	301,798,000	2.98	328,340,000	3.23
	2,814,790,000	27.78	2,723,584,000	26.83
Eastern Hemisphere	1,725,313,000	17.03	1,585,486,000	15.62
Total	$4,540,103,000	$44.81	$4,309,070,000	$42.45

See Financial Review on pages 25-28.

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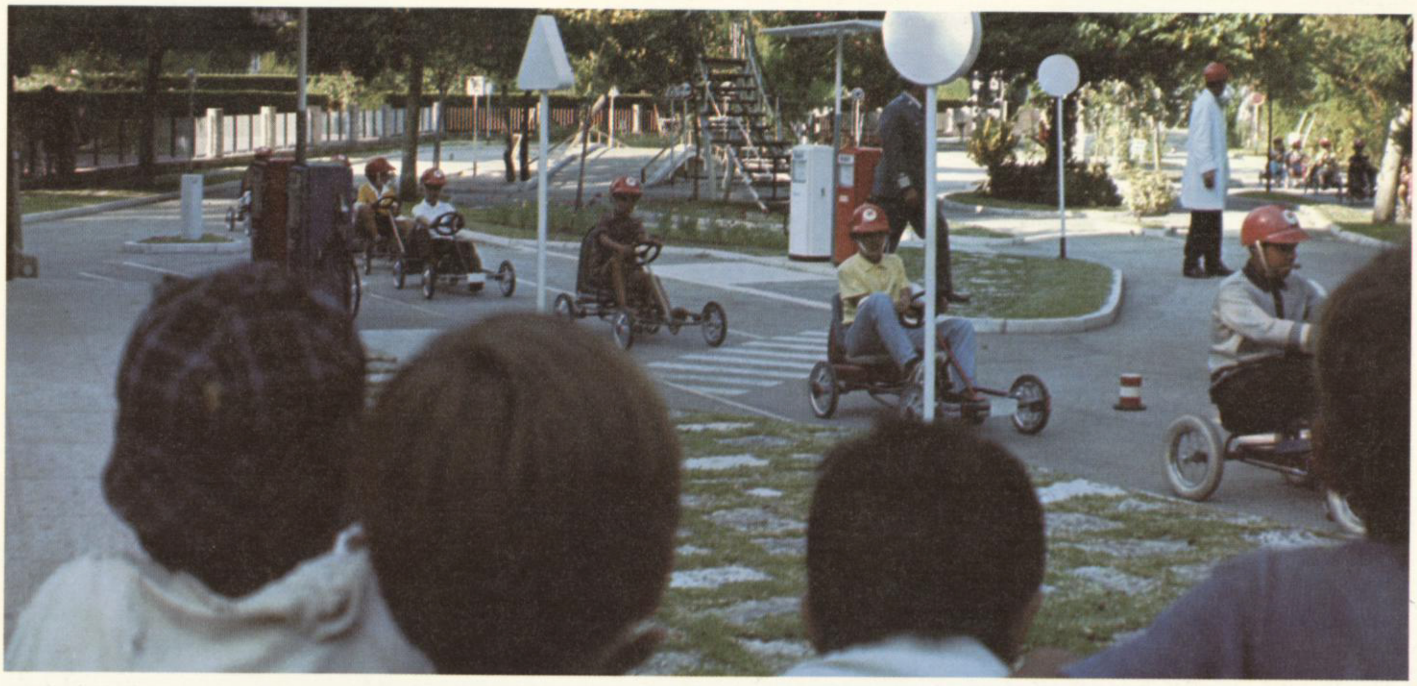

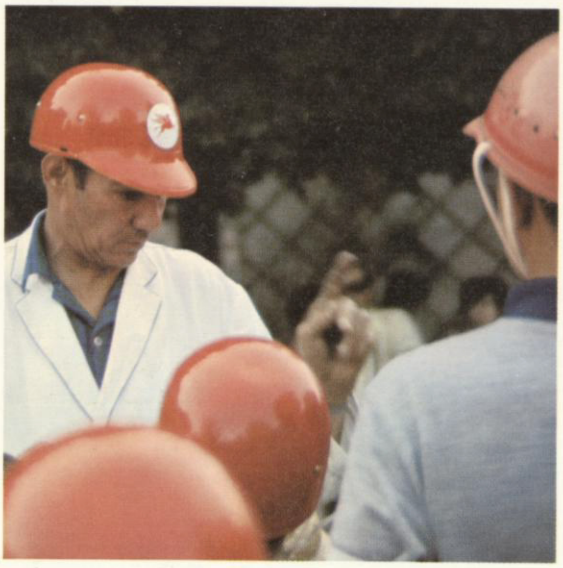

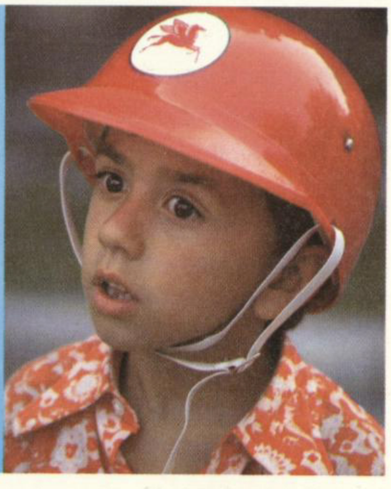

TOMORROW'S DRIVERS LEARN SAFETY TODAY at Mobil Traffic Center in Lisbon, Portugal. The youngsters pedal their miniature cars through a maze of scaled-down streets with traffic lights and signs, crosswalks and narrow passages. Mobil employees, student teachers and traffic patrolmen all pitch in as instructors. In six years, some 90,000 boys and girls have learned the basic rules of safe driving—rules which may one day save their lives.

ON BACK COVER, a drilling rig probes for natural gas in Germany. Mobil's gas production in Germany rose 32% last year, to more than 300 million cubic feet daily—enough to supply 18% of the rapidly growing German market.

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